

TRAVERSE CITY HOUSING COMMISSION
TRAVERSE CITY, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Traverse City Housing Commission	County Grand Traverse
Fiscal Year End June 30, 2007	Opinion Date November 28, 2007	Date Audit Report Submitted to State November 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

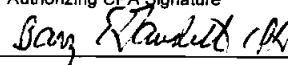
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Reports on Internal Control and Compliance	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 	Printed Name Barry E. Gaudette, CPA		License Number 11050

TRAVERSE CITY HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Traverse City Housing Commission
Traverse City, Michigan

I have audited the accompanying financial statements of the business-type activities of Traverse City Housing Commission, Michigan, a component unit of the City of Traverse City, as of and for the year ended June 30, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Traverse City Housing Commission, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Traverse City Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated November 28, 2007, on my consideration of Traverse City Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 11, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Traverse City Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Traverse City Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bary Vandert, CPA, PC

November 28, 2007

**Traverse City Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Unaudited)**

As management of the Traverse City Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Traverse City Housing Commission's financial activities for the fiscal year ended June 30, 2007. This discussion and analysis letter of the Traverse City Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of June 30, 2007 were \$2,848,763. The net assets increased by \$64,966, an increase of 2.33% from the prior year.

Revenues and contributions for the Commission were \$1,981,852 for the fiscal year ended June 30, 2007. This was an increase of \$75,536 or 4.0% over the prior year.

Expenses for the Commission were \$1,916,886 for the fiscal year ended June 30, 2007. This was a increase of \$157,939 or 9.0% over the prior year.

HUD operating grants were \$1,284,450 for the fiscal year ended June 30, 2007. This was an increase of \$72,089 or 5.9% over the prior year. Capital contributions were \$177,218 for the fiscal year ended June 30, 2007. This was an decrease of \$14,692 or 7.7% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental*

Information. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Traverse City Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

CDBG Program: Under this program, the Housing Commission administers grants from a Community Development Block Grants program for Grand Traverse County.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$2,848,763 at the close of the fiscal year ended June 30, 2007 an increase from \$2,783,797 in 2006. The increase in net assets of \$64,966 was due to the change in net assets for the fiscal year.

The unrestricted net assets were \$333,285 as of June 30, 2007. This amount may be used to meet the Commission's ongoing obligations. The Commission had net assets classified as restricted in the amount of \$195,995 that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

FINANCIAL ANALYSIS (CONTINUED)**CONDENSED STATEMENTS OF NET ASSETS
June 30,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Current and other assets	\$ 662,175	\$ 629,506	\$ 32,669	5.19%
Capital assets	<u>2,319,483</u>	<u>2,296,723</u>	<u>22,760</u>	1.00%
Total Assets	<u>2,981,658</u>	<u>2,926,229</u>	<u>55,429</u>	1.89%
Current liabilities	128,244	137,759	(9,515)	(6.91)%
Noncurrent liabilities	<u>4,651</u>	<u>4,673</u>	<u>(22)</u>	(.47)%
Total Liabilities	<u>132,895</u>	<u>142,432</u>	<u>(9,537)</u>	(6.70)%
Net Assets:				
Invested in capital assets	2,319,483	2,296,723	22,760	1.00%
Restricted	195,995		195,995	100.00%
Unrestricted	<u>333,285</u>	<u>487,074</u>	<u>(153,789)</u>	(31.57)%
Total Net Assets	<u>\$2,848,763</u>	<u>\$2,783,797</u>	<u>\$ 64,966</u>	2.33%

Total current assets increase of \$32,669 was due to various small increases in cash, tenant rent receivables, investments, and prepaid expenses, of which the largest was \$8,034 in investments.

Current liabilities decreased by \$9,515, in large part, due to accrued liabilities for FSS escrow trust funds decreasing by \$10,316 from the prior year, because of the Low Rent program closing the FSS Trust Account due to not receiving funding for the FSS Coordinator. Also, in the Housing Choice Voucher program, some families stopped participating in the FSS program and one family graduated from the program. Long-term compensated absences decreased slightly by \$22.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. Part of the net assets are restricted for the amount that HUD overfunded the Housing Choice Program.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

FINANCIAL ANALYSIS (CONTINUED)**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS****June 30,**

As can be seen in the following table total revenues and contributions increased by \$75,536, in part, due to an increase in the public housing operating subsidy by \$40,739. Other income increased by \$22,078, in part, because of the renewal of the FSS grant being larger than expected for the fiscal year ending June 30, 2007. Interest income increased by \$12,348, mainly due to the interest rates being higher this fiscal year. Other government grants decreased by \$29,757 in the CBDG grant program, primarily because the Board of Commissioners voted to allow all of the participants in the program to defer their payments on their mortgages until the home is sold.

	<u>2007</u>	<u>2006</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Revenues and contributions				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$ 339,409	\$ 326,140	\$ 13,269	4.1%
Nondwelling rent	660	459	201	43.8%
Total PHA generated Revenue	340,069	326,599	13,470	4.1%
HUD operating grants	1,284,450	1,212,361	72,089	5.9%
Capital contributions	177,218	191,910	(14,692)	(7.7)%
Other government grants	59,554	89,311	(29,757)	33.3%
Other income	101,826	79,748	22,078	27.7%
Interest income	18,735	6,387	12,348	100.0%
Total Revenues and Contributions	<u>1,981,852</u>	<u>1,906,316</u>	<u>75,536</u>	<u>4.0%</u>
Expenses				
Personal services	353,519	326,194	27,325	8.4%
Utilities	157,128	148,686	8,442	5.7%
Operations and maintenance	117,540	138,465	(20,925)	(15.1)%
Insurance	30,999	31,100	(101)	(.3)%
Payments in lieu of taxes	16,866	16,428	438	2.7%
Other supplies and expenses	94,667	77,663	17,004	21.9%
Housing Assistance Payments	942,180	799,433	142,747	17.9%
Depreciation	203,987	220,978	(16,991)	(7.7)%
Total Expenses	<u>1,916,886</u>	<u>1,758,947</u>	<u>157,939</u>	<u>9.0%</u>
Change in net assets	64,966	147,369	(82,403)	
Prior period adjustments		26,650	(26,650)	
Beginning net assets	<u>2,783,797</u>	<u>2,609,778</u>	<u>174,019</u>	
Ending net assets	<u>\$2,848,763</u>	<u>\$2,783,797</u>	<u>\$ 64,966</u>	

FINANCIAL ANALYSIS (CONTINUED)

Revenues:

Traverse City Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. Revenue received from HUD for fiscal year ended June 30, 2007 for Public Housing, capital contributions, and for Section 8 increased from fiscal year ending June 30, 2006 to June 30, 2007 by \$57,397. For fiscal year ending June 30, 2007, revenue generated by the Commission accounted for \$340,069 (or 17% of total revenue), while HUD contributions accounted for \$1,461,668 (or 74% of total revenue).

Expenses:

Total Expenses for the fiscal ending June 30, 2006 were \$1,758,947 while for the fiscal year ending June 30, 2007 they were \$1,916,886. This represents an 9.0% increase in our operating costs. The expenses were increased, in large part, because the Housing Choice Voucher HAP (housing assistance payments) payments increased by \$142,747 over the prior year due to a higher leaseup average this fiscal year. Personnel costs increased due to an increase in the family self sufficiency program, higher health insurance costs, and contributing an extra 4% to the SEP pension plan.

The following represents changes in Federal Assistance received:

	<u>06/30/07</u>	<u>06/30/06</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Public Housing				
Operating Subsidy	\$ 196,425	\$ 155,686	\$ 40,739	26.2%
Capital Fund Program				
Grants	177,218	191,910	(14,692)	(7.7)%
Section 8 Housing				
Choice Voucher				
Program	<u>1,088,025</u>	<u>1,056,675</u>	<u>31,350</u>	<u>3.0%</u>
Total	<u>\$1,461,668</u>	<u>\$1,404,271</u>	<u>\$ 57,397</u>	<u>4.1%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Section 8 increased due to HUD's new method disbursing voucher monies. The subsidy for Public Housing increased mainly due the Housing Commission being considered a "gainer" and funding is now on a calendar basis. The decrease in the Capital Fund Program was due to the fact that work projects during the fiscal year ending June 30, 2007 progressed along less rapidly than the prior year, thus utilizing less of our Capital Fund Program funding in the fiscal year ending June 30, 2007 than in the fiscal year ending June 30, 2006.

FINANCIAL ANALYSIS (CONTINUED)

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending June 30, 2007 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

OPERATIONAL HIGHLIGHTS

The Traverse City Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2006</u>
Low Rent Public Housing	135	135
Sec. 8 Housing Choice Voucher	198	198

During the fiscal year ending June 30, 2007, Traverse City Housing Commission maintained a lease-up rate of 98.2% in its Public Housing Program and a lease-up rate of 95.1% in its Section 8 program.

CAPITAL ASSETS

During the fiscal year ending June 30, 2007, our Capital Fund Program work projects included:

Rehabilitation of kitchens, the Community Room, and roof vent repairs.

Capital projects planned for the next fiscal year include the rehabilitation of more kitchens, a canopy over the sidewalk at Riverview, and signage at Orchard View.

Capital Assets - The Traverse City Housing Commission's investment in capital assets, as of June 30, 2007 amounts to \$2,319,483 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

CAPITAL ASSETS (CONTINUED)

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
June 30,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 297,665	\$ 297,665	\$
Buildings	5,412,982	5,199,301	213,681
Furniture, equipment and machinery - dwellings	109,159	107,082	2,077
Furniture, equipment and machinery - administration	216,040	205,051	10,989
Building improvements	<u>222,062</u>	<u>222,062</u>	
	6,257,908	6,031,161	226,747
Accumulated depreciation	<u>(3,938,425)</u>	<u>(3,731,505)</u>	<u>(206,920)</u>
Total	<u>\$ 2,319,483</u>	<u>\$ 2,299,656</u>	<u>\$ 19,827</u>

Capital assets increased by \$19,827, because capital outlays of \$226,747 and depreciation of \$203,987.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

The Housing Commission is in the process of applying for funding through the Capital Fund Finance Program in excess of \$600,000 to complete capital improvements at Riverview Terrace and Orchardview. The planned improvements can include rehabilitation of 91 kitchens, a new roof and generator at Riverview Terrace and new roofs at Orchardview.

The Housing Commission has also applied for up to \$250,000 in funding through MSHDA for the Interlochen Improvement District Home Improvement Repair Program which would provide funding to low income households in the Interlochen DDA district for home rehabilitation. In addition to the requested grant amount, administrative funds would be provided of at least ten percent (10%) of the grant amount. Depending upon which funding program through the State of Michigan that the funding for this program comes from, there could be additional administrative monies for soft costs.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Ilah Honson, Executive Director
Traverse City Housing Commission
10200 E. Carter Center
Traverse City, MI 49684

FINANCIAL STATEMENTS

TRAVERSE CITY HOUSING COMMISSION

STATEMENT OF NET ASSETS

June 30, 2007

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ASSETS

Current Assets:

Cash and cash equivalents	\$ 218,725
Cash-restricted	207,761
Receivables, net	27,200
Investments	159,195
Prepaid expenses	<u>30,812</u>

Total Current Assets	<u>662,175</u>
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Capital Assets:

Land	297,665
Buildings	5,412,982
Equipment	325,199
Building improvements	<u>222,062</u>

	6,257,908
Less: accumulated depreciation	<u>(3,938,425)</u>

Net Capital Assets	<u>2,319,483</u>
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Total Assets	<u><u>\$ 2,981,658</u></u>
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See notes to financial statements

TRAVERSE CITY HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2007
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LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 40,070
Tenant security deposit liability	31,779
Accrued expenses	32,747
Deferred revenues	2,391
Accrued liabilities-other	<u>21,257</u>
Total Current Liabilities	128,244
Noncurrent liabilities:	
Accrued compensated absences	<u>4,651</u>
Total Liabilities	<u>132,895</u>
Net Assets:	
Invested in capital assets	2,319,483
Restricted net assets	195,995
Unrestricted net assets	<u>333,285</u>
Total Net Assets	<u>2,848,763</u>
Total Liabilities and Net Assets	<u>\$ 2,981,658</u>

See notes to financial statements

TRAVERSE CITY HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
Year Ended June 30, 2007
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OPERATING REVENUES:

Dwelling rent	\$ 339,409
Nondwelling rent	<u>660</u>

Total operating revenues	<u>340,069</u>
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OPERATING EXPENSES:

Administration	330,152
Tenant services	4,290
Utilities	157,128
Ordinary maintenance and operation	222,176
General expenses	50,098
Extraordinary maintenance	6,875
Housing assistance payments	942,180
Depreciation	<u>203,987</u>

Total operating expenses	<u>1,916,886</u>
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Operating income(loss)	<u>(1,576,817)</u>
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NONOPERATING REVENUES:

Investment interest income	18,735
Other income	101,229
Fraud recovery	597
Operating grants	1,284,450
Capital grants	177,218
Other government grants	<u>59,554</u>

Total nonoperating revenues	<u>1,641,783</u>
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Change in net assets	64,966
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Net assets, beginning	<u>2,783,797</u>
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Net assets, ending	<u>\$ 2,848,763</u>
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See notes to financial statements

TRAVERSE CITY HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2007
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 334,021
Cash payments to other suppliers of goods and services	(1,350,801)
Cash payments to employees for services	(356,176)
Cash payments for in lieu of taxes	<u>(16,428)</u>
Net cash (used) by operating activities	<u>(1,389,384)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	518
Fraud recovery	597
Operating grants	1,284,450
Other government grants	47,803
Other revenue	<u>102,229</u>

Net cash provided by noncapital financing activities	<u>1,434,597</u>
--	------------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	186,067
Payments for capital acquisitions	<u>(226,747)</u>

Net cash (used) by capital and related financing activities	<u>(40,680)</u>
---	------------------

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments increased by	(8,034)
Receipts of interest and dividends	<u>18,813</u>

Net cash provided by investing activities	<u>10,779</u>
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Net increase(decrease) in cash	15,312
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Cash and cash equivalents, beginning	<u>429,656</u>
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Cash and cash equivalents, ending	<u><u>\$ 444,968</u></u>
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TRAVERSE CITY HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)

Year Ended June 30, 2007

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RECONCILIATION OPERATING INCOME(LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:

Operating income(loss)	\$(1,576,817)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	203,987
Bad debt allowance adjustment	(229)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(2,958)
Prepaid expenses	(3,312)
Increase (decrease) in liabilities:	
Accounts payable	4,031
Accrued wage/payroll taxes payable	420
Accrued compensated absences	(1,538)
Accrued liabilities-other	(10,316)
Accounts payable-PILOT	438
Deferred revenues	(3,090)
	<u> </u>
Net cash (used) by operating activities	<u><u>\$(1,389,384)</u></u>

See notes to financial statements

TRAVERSE CITY HOUSING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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NOTE 1: Summary of Significant Accounting Policies

The Traverse City Housing Commission (the Housing Commission) is a component unit of the City of Traverse City, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Traverse City on October 1966, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
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In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
CDBG Program	Accounts for activities of administering grants from a Community Development Block Grants Program for Grand Traverse County.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission adopts a formal operating budget each year for it's operating programs and on a project length basis for it's capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$1,500 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Site improvements	7 - 15 years
Buildings	40 years
Building improvements	5 - 15 years
Nondwelling structures	10 - 20 years
Equipment - dwellings	7 years
Furniture, equipment - administration	5 - 10 years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".
- c. Restricted net assets - Consists of net assets of the Housing Choice Voucher Program that are restricted by HUD because of excess funding, but are expendable for HAP payments and for FSS escrow deposits.

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Housing Choice Vouchers	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Capital Fund Program	Modernization

For the year ended June 30, 2007, the Housing Commission complied, in all material respects, with these revenue restrictions.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments**Deposits**

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at June 30, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$372,901	\$372,901	\$	\$	\$ 325,816
Savings	30,589	30,589			30,589
Money market	88,313	88,313			88,313
	<u>\$491,803</u>	<u>\$491,803</u>	<u>\$</u>	<u>\$</u>	<u>\$ 444,718</u>

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at June 30, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
Certificates of deposits	<u>\$ 159,195</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 159,195</u>	<u>\$ 159,195</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$ 250
Carrying amount of deposits	444,718
Investments	<u>159,195</u>
Total	<u>\$ 604,163</u>
Cash and investments:	
Enterprise activities	\$ 651,248
Enterprise activities - checks written in excess of deposits	<u>(47,085)</u>
Total	<u>\$ 604,163</u>

3(b) Receivables

Receivables detail at June 30, 2007, is as follows:

Other governments	\$ 20,230
Tenant accounts receivable	5,252
Allowance for doubtful accounts	(689)
Accrued interest receivable	<u>2,407</u>
	<u>\$ 27,200</u>

3(c) Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Balance 06/30/06</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 06/30/07</u>
Low Rent Program				
Land	\$ 297,665	\$	\$	\$ 297,665
Buildings	5,013,112	103,248		5,116,360
Furniture, equip. & machinery - dwellings	100,553	2,077		102,630
Furniture, equip. & machinery - administration	171,865	32,019		203,884
Building improvements	<u>203,496</u>	<u>18,566</u>		<u>222,062</u>
	5,786,691	<u>\$ 155,910</u>	<u>\$</u>	5,942,601
Less accumulated depreciation	<u>(3,711,851)</u>	<u>\$ (191,777) *</u>	<u>\$</u>	<u>(3,903,628)</u>
Total	<u>\$2,074,840</u>			<u>\$2,038,973</u>
Capital Fund Program				
Buildings	\$ 186,189	\$ 110,433	\$	\$ 296,622
Furniture, equip. & machinery - dwellings	6,529			6,529
Furniture, equip. & machinery - administration	30,253		(21,030)	9,223
Building improvements	<u>18,566</u>	<u>18,566</u>	<u>(18,566)</u>	<u>18,566</u>
	241,537	<u>\$ 110,433</u>	<u>\$ (39,596)</u>	312,374
Less accumulated depreciation	<u>(19,654)</u>	<u>\$ (24,321)</u>	<u>*\$ 12,111</u>	<u>(31,864)</u>
Total	<u>\$ 221,883</u>			<u>\$ 280,510</u>
Housing Choice Voucher Program				
Furniture, equip. & machinery - administration	\$ 2,933	<u>\$</u>	<u>\$</u>	\$ 2,933
Less accumulated depreciation	<u>(2,933)</u>	<u>\$</u>	<u>\$</u>	<u>(2,933)</u>
Total	<u>\$</u>			<u>\$</u>
Combined Totals				<u>\$2,319,483</u>

* Depreciation expense in the low rent program was \$179,666 and an adjustment to accumulated depreciation of \$12,111, and a corresponding adjustment of \$(12,111) in capital fund program.

3(d) Accounts Payable

Payable detail at June 30, 2007, is as follows:

Accounts payable - vendors	\$ 23,204
Accounts payable - other government-PILOT	<u>16,866</u>
	<u>\$ 40,070</u>

3(e) Accrued Expenses

Accrued expense detail at June 30, 2007, is as follows:

Accrued wage/payroll taxes payable	\$ 11,376
Accrued compensated absences-current portion	<u>21,371</u>
	<u>\$ 32,747</u>

3(f) Accrued Liabilities-Other

Accrued liabilities-other at June 30, 2007, is as follows:

Accrued FSS escrows	<u>\$ 21,257</u>
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3(g) Non-current Liabilities

As of June 30, 2007, the non-current liabilities are comprised of the following:

Accrued compensated absences - noncurrent portion	<u>\$ 4,651</u>
--	-----------------

3(h) Interprogram Transactions and Balances

Operating Transfers

There were no operating transfers from the capital fund program to the low rent program during the fiscal year ended June 30, 2007.

Interprogram Receivable/Payable

Low Rent Program	\$ 58,335
Housing Choice Voucher Program	(17,525)
CDBG Program	<u>(40,810)</u>
	<u>\$</u>

NOTE 4: Other Notes

(a) Employee Retirement Plan

The Traverse City Housing Commission participates in a Simplified Employee Pension Plan(SEP) and a Deferred Compensation Plan under section 457 of the Internal Revenue Code of 1986, as amended. The Housing Commission matched up to 3.0 percent of the employees wage for the 457 Pension Plan and paid another 4% of wages into the SEP for the fiscal year ended June 30, 2007.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance from Municipal Underwriters under Michigan Township's PAR plan.
b. Injuries to employees (workers' compensation)	Included in the City of Traverse City plan.
c. Physical property loss and natural disasters	Purchased commercial insurance from Municipal Underwriters under the Michigan Township's PAR plan.
d. Health, optical, and dental	Included in the City of Traverse City's priority health plan for health insurance and Blue Cross Blue Shield for the optical and dental plans.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Commitments and Contingencies

Commitments - Construction

At June 30, 2007, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2006 CFP	\$ 158,869	\$ -
2007 CFP	<u>162,619</u>	<u>-</u>
	<u>\$ 321,488</u>	<u>\$ -</u>

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to

the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

**4(d) Prior Period Adjustments, Equity Transfers and
Correction of Errors**

Low Rent Program

Transfer completed 2003 (50103) Capital Fund Assets to Low Rent	\$ 73,295
Transfer completed 2003 (50203) Bonus Capital Fund Assets to Low Rent	<u>20,975</u>
	<u>\$ 94,270</u>

Capital Fund Program

Transfer completed 2003 (50103) Capital Fund Assets to Low Rent	\$(73,295)
Transfer completed 2003 (50203) Bonus Capital Fund Assets to Low Rent	<u>(20,975)</u>
	<u>\$(94,270)</u>

SUPPLEMENTARY INFORMATION

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM

June 30, 2007

=====

C-3084	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

ASSETS

Current assets:

Cash and cash equivalents	\$	185,292	\$
Cash-other restricted			
Receivables:			
Other governments			
Tenants-dwelling rents		5,252	
Allowance for doubtful accounts	(689)	
Accrued interest receivable		2,407	
Investments-unrestricted		159,195	
Prepaid expenses		30,812	
Due from other programs		<u>58,335</u>	
Total current assets		<u>440,604</u>	

Capital assets:

Land		297,665	
Buildings		5,116,360	296,622
Equipment		306,514	15,752
Building improvements		<u>222,062</u>	
		5,942,601	312,374
Less accumulated depreciation	(<u>3,903,628</u>)	(31,864)
Net capital assets		<u>2,038,973</u>	<u>280,510</u>
Total Assets	\$	<u><u>2,479,577</u></u>	\$ <u><u>280,510</u></u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	<u>Totals</u>
\$ 51,915	\$	\$ 218,725
207,761		207,761
	20,230	20,230
		5,252
		(689)
		2,407
		159,195
		30,812
		<u>58,335</u>
<u>259,676</u>	<u>20,230</u>	<u>720,510</u>
		297,665
		5,412,982
2,933		325,199
		<u>222,062</u>
<u>2,933</u>		6,257,908
(2,933)		(3,938,425)
		<u>2,319,483</u>
<u>\$ 259,676</u>	<u>\$ 20,230</u>	<u>\$ 3,039,993</u>

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM (CONTINUED)

June 30, 2007

=====

	C-3084 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 38,408	\$
Tenant security deposit liability	31,779	
Accrued expenses	15,328	
Deferred revenues	2,391	
Accrued liabilities-other	12,421	
Due to other programs	<u> </u>	<u> </u>
Total current liabilities	100,327	
Noncurrent liabilities:		
Accrued compensated absences	<u>1,893</u>	<u> </u>
Total liabilities	<u>102,220</u>	<u> </u>
Net Assets:		
Invested in capital assets	2,038,973	280,510
Restricted net assets		
Unrestricted net assets	<u>338,384</u>	<u> </u>
Total net assets	<u>2,377,357</u>	<u>280,510</u>
Total Liabilities and Net Assets	<u>\$2,479,577</u>	<u>\$ 280,510</u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	<u>Totals</u>
\$ 1,082	\$ 580	\$ 40,070
		31,779
10,912	6,507	32,747
		2,391
8,836		21,257
<u>17,525</u>	<u>40,810</u>	<u>58,335</u>
38,355	47,897	186,579
<u>1,633</u>	<u>1,125</u>	<u>4,651</u>
<u>39,988</u>	<u>49,022</u>	<u>191,230</u>
		2,319,483
195,995		195,995
<u>23,693</u>	<u>(28,792)</u>	<u>333,285</u>
<u>219,688</u>	<u>(28,792)</u>	<u>2,848,763</u>
<u>\$ 259,676</u>	<u>\$ 20,230</u>	<u>\$ 3,039,993</u>

TRAVERSE CITY HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended June 30, 2007

=====

	C-3084 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 339,409	\$
Nondwelling rent	<u>660</u>	<u></u>
Total operating revenues	<u>340,069</u>	<u></u>
OPERATING EXPENSES:		
Administration	106,994	
Tenant services	4,290	
Utilities	157,128	
Ordinary maintenance and operation	222,176	
General expenses	48,820	
Extraordinary maintenance	6,875	
Housing assistance payments		
Depreciation	<u>179,666</u>	<u>24,321</u>
Total operating expenses	<u>725,949</u>	<u>24,321</u>
Operating income(loss)	<u>(385,880)</u>	<u>(24,321)</u>
NONOPERATING REVENUES:		
Investment interest income	12,890	
Other income	101,229	
Fraud recovery		
Operating grants	196,425	
Capital grants		177,218
Other government grants	<u></u>	<u></u>
Total nonoperating revenues	<u>310,544</u>	<u>177,218</u>
Change in net assets	(75,336)	152,897
Prior period adjustments, equity transfers and correction of errors	94,270	(94,270)
Net assets, beginning	<u>2,358,423</u>	<u>221,883</u>
Net assets, ending	<u>\$2,377,357</u>	<u>\$280,510</u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	<u>Totals</u>
\$ <u> </u>	\$ <u> </u>	\$ 339,409
		<u>660</u>
		<u>340,069</u>
136,820	86,338	330,152
		4,290
		157,128
		222,176
1,278		50,098
		6,875
942,180		942,180
<u> </u>	<u> </u>	<u>203,987</u>
<u>1,080,278</u>	<u>86,338</u>	<u>1,916,886</u>
<u>(1,080,278)</u>	<u>(86,338)</u>	<u>(1,576,817)</u>
5,845		18,735
		101,229
597		597
1,088,025		1,284,450
		177,218
<u> </u>	<u>59,554</u>	<u>59,554</u>
<u>1,094,467</u>	<u>59,554</u>	<u>1,641,783</u>
14,189	(26,784)	64,966
<u>205,499</u>	<u>(2,008)</u>	<u>2,783,797</u>
<u>\$ 219,688</u>	<u>\$ (28,792)</u>	<u>\$ 2,848,763</u>

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended June 30, 2007

=====

	C-3084 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 334,021	\$
Cash payments to other suppliers of goods and services	(365,196)	
Cash payments to employees for services	(176,996)	
Cash payments for in lieu of taxes	<u>(16,428)</u>	
Net cash (used) by operating activities	<u>(224,599)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interprogram due from(to)	(40,421)	(8,849)
Tenant security deposits	518	
Fraud recovery		
Operating grants	196,425	
Other government grants		
Other revenue	<u>101,229</u>	
Net cash provided (used) by noncapital financing activities	<u>257,751</u>	<u>(8,849)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		186,067
Payments for capital acquisitions	<u>(49,529)</u>	<u>(177,218)</u>
Net cash provided(used) by capital and related financing activities	<u>(49,529)</u>	<u>8,849</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments increased by	(8,034)	
Receipts of interest and dividends	<u>12,968</u>	
Net cash provided by investing activities	<u>4,934</u>	
Net increase(decrease) in cash	(11,443)	
Cash and cash equivalents, beginning	<u>196,735</u>	
Cash and cash equivalents, ending	<u><u>\$ 185,292</u></u>	<u><u>\$</u></u>

Housing Choice Vouchers 14.871	CDBG Program	Totals
\$	\$	\$ 334,021
(979,185)	(6,420)	(1,350,801)
(99,986)	(79,194)	(356,176)
		(16,428)
<u>(1,079,171)</u>	<u>(85,614)</u>	<u>(1,389,384)</u>
11,459	37,811	518
597		597
1,088,025		1,284,450
	47,803	47,803
		<u>101,229</u>
<u>1,100,081</u>	<u>85,614</u>	<u>1,434,597</u>
		186,067
		<u>(226,747)</u>
		(40,680)
		(8,034)
<u>5,845</u>		<u>18,813</u>
<u>5,845</u>		<u>10,779</u>
26,755		15,312
<u>232,921</u>		<u>429,656</u>
<u>\$ 259,676</u>	<u>\$</u>	<u>\$ 444,968</u>

TRAVERSE CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)
Year Ended June 30, 2007

=====

C-3084 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
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**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED BY
OPERATING ACTIVITIES:**

Operating income(loss)	\$(385,880)	\$(24,321)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	179,666	24,321
Bad debt allowance adjustment	(229)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(2,958)	
Prepaid expenses	(3,312)	
Increase (decrease) in liabilities:		
Accounts payable	3,583	
Accrued wage/payroll taxes payable	(1,052)	
Accrued compensated absences	(4,314)	
Accrued liabilities-other	(7,451)	
Accounts payable-PILOT	438	
Deferred revenues	<u>(3,090)</u>	
Net cash (used) by operating activities	<u><u>\$(224,599)</u></u>	<u><u>\$</u></u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	<u>Totals</u>
\$ (1,080,278)	\$ (86,338)	\$ (1,576,817)
		203,987
		(229)
		(2,958)
		(3,312)
11	437	4,031
1,465	7	420
2,496	280	(1,538)
(2,865)		(10,316)
		438
<u> </u>	<u> </u>	<u>(3,090)</u>
<u>\$ (1,079,171)</u>	<u>\$ (85,614)</u>	<u>\$ (1,389,384)</u>

TRAVERSE CITY HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended June 30, 2007
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 196,425
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2007	Capital Fund Program	14.872	177,218
	<u>Low Income Public Housing Major - Direct Program</u>		
2007	Housing Choice Vouchers	14.871	<u>1,039,275</u>
	Total		<u>\$1,412,918</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

TRAVERSE CITY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2007

=====

FDS Line Item No.		C-3084 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 166,810	\$
113	Cash-other restricted		
114	Cash-tenant security deposits	<u>18,482</u>	
100	Total cash	<u>185,292</u>	
	Receivables:		
124	A/R-other government		
126	A/R-tenants-dwelling rents	5,252	
126.1	Allowance for doubtful accounts	(689)	
129	Accrued interest receivable	<u>2,407</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>6,970</u>	
131	Investments-unrestricted	<u>159,195</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	30,812	
144	Interprogram due from	<u>58,335</u>	
	Total other current assets	<u>89,147</u>	
150	Total current assets	<u>440,604</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	297,665	
162	Buildings	5,116,360	296,622
163	Furn, equip & mach-dwellings	102,630	6,529
164	Furn, equip & mach-admin.	203,884	9,223
165	Building improvements	222,062	
166	Accumulated depreciation	<u>(3,903,628)</u>	<u>(31,864)</u>
160	Total fixed assets, net of accumulated depreciation	<u>2,038,973</u>	<u>280,510</u>
180	Total noncurrent assets	<u>2,038,973</u>	<u>280,510</u>
190	Total Assets	<u>\$ 2,479,577</u>	<u>\$280,510</u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	<u>Totals</u>
\$ 51,915	\$	\$ 218,725
207,761		207,761
<u> </u>	<u> </u>	<u>18,482</u>
<u>259,676</u>	<u> </u>	<u>444,968</u>
	20,230	20,230
		5,252
		(689)
<u> </u>	<u> </u>	<u>2,407</u>
<u> </u>	<u>20,230</u>	<u>27,200</u>
<u> </u>	<u> </u>	<u>159,195</u>
		30,812
<u> </u>	<u> </u>	<u>58,335</u>
<u> </u>	<u> </u>	<u>89,147</u>
<u>259,676</u>	<u>20,230</u>	<u>720,510</u>
		297,665
		5,412,982
		109,159
2,933		216,040
		222,062
(2,933)	<u> </u>	<u>(3,938,425)</u>
<u> </u>	<u> </u>	<u>2,319,483</u>
<u> </u>	<u> </u>	<u>2,319,483</u>
<u>\$ 259,676</u>	<u>\$ 20,230</u>	<u>\$ 3,039,993</u>

TRAVERSE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2007

=====

FDS Line Item No.		C-3084 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 21,542	\$
321	Accrued wage/payroll taxes payable	5,638	
322	Accrued compensated absences-current portion	9,690	
333	Accounts payable-other government	16,866	
341	Tenant security deposits	31,779	
342	Deferred revenues	2,391	
346	Accrued liabilities-other	12,421	
347	Interprogram due to	<u> </u>	<u> </u>
310	Total current liabilities	100,327	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>1,893</u>	<u> </u>
300	Total liabilities	<u>102,220</u>	<u> </u>
	Net Assets:		
508.1	Invested in capital assets	<u>2,038,973</u>	<u>280,510</u>
508	Total invested in capital assets	2,038,973	280,510
511.1	Restricted net assets		
512.1	Unrestricted net assets	<u>338,384</u>	<u> </u>
513	Total Net Assets	<u>2,377,357</u>	<u>280,510</u>
600	Total Liabilities and Net Assets	<u>\$ 2,479,577</u>	<u>\$280,510</u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	<u>Totals</u>
\$ 1,082	\$ 580	\$ 23,204
3,574	2,164	11,376
7,338	4,343	21,371
		16,866
		31,779
		2,391
8,836		21,257
<u>17,525</u>	<u>40,810</u>	<u>58,335</u>
38,355	47,897	186,579
<u>1,633</u>	<u>1,125</u>	<u>4,651</u>
<u>39,988</u>	<u>49,022</u>	<u>191,230</u>
<u> </u>	<u> </u>	<u>2,319,483</u>
		2,319,483
195,995		195,995
<u>23,693</u>	<u>(28,792)</u>	<u>333,285</u>
<u>219,688</u>	<u>(28,792)</u>	<u>2,848,763</u>
<u>\$ 259,676</u>	<u>\$ 20,230</u>	<u>\$ 3,039,993</u>

TRAVERSE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2007

=====

FDS Line Item No.		C-3084 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 339,409	\$
704	Tenant revenue-other	<u>660</u>	
705	Total tenant revenue	340,069	
706	HUD PHA grants	196,425	
706.1	Capital grants		177,218
708	Other government grants		
711	Investment income-unrestricted	12,890	
714	Fraud recovery		
715	Other income	<u>101,229</u>	
700	Total revenue	<u>650,613</u>	<u>177,218</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	44,816	
912	Auditing fees	4,290	
914	Compensated absences	(4,314)	
915	Employee benefit contributions-adm.	15,303	
916	Other operating-administrative	46,899	
	Tenant services:		
924	Tenant services-other	4,290	
	Utilities:		
931	Water	27,602	
932	Electricity	113,209	
933	Gas	16,317	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	82,680	
942	Ordinary maint & oper-mat'ls & other	13,743	
943	Ordinary maint & oper-contract costs	96,922	
945	Employee benefit contributions	28,831	
	General expenses:		
961	Insurance premiums	30,999	
962	Other general expenses		
963	Payments in lieu of taxes	16,866	
964	Bad debt-tenant rents	<u>955</u>	
969	Total operating expenses	<u>539,408</u>	
970	Excess operating revenue over operating expenses	<u>111,205</u>	<u>177,218</u>

Housing Choice Vouchers 14.871	CDBG Program	Totals
\$	\$	\$ 339,409
		660
		340,069
1,088,025		1,284,450
		177,218
	59,554	59,554
5,845		18,735
597		597
		101,229
<u>1,094,467</u>	<u>59,554</u>	<u>1,981,852</u>
76,818	52,137	173,771
1,210		5,500
2,495	280	(1,539)
27,129	27,344	69,776
29,168	6,577	82,644
		4,290
		27,602
		113,209
		16,317
		82,680
		13,743
		96,922
		28,831
		30,999
1,278		1,278
		16,866
		955
<u>138,098</u>	<u>86,338</u>	<u>763,844</u>
<u>956,369</u>	<u>(26,784)</u>	<u>1,218,008</u>

TRAVERSE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2007

=====

FDS Line Item No.		C-3084 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	6,875	
973	Housing assistance payments		
974	Depreciation expense	<u>179,666</u>	<u>24,321</u>
	Total other expenses	<u>186,541</u>	<u>24,321</u>
900	Total expenses	<u>725,949</u>	<u>24,321</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(75,336)	152,897
1103	Beginning Net Assets	2,358,423	221,883
1104	Prior period adjustments, equity transfers and correction of errors	<u>94,270</u>	<u>(94,270)</u>
	Ending Net Assets	<u>\$ 2,377,357</u>	<u>\$280,510</u>

Housing Choice Vouchers <u>14.871</u>	CDBG Program <u> </u>	Totals <u> </u>
		6,875
942,180		942,180
<u> </u>	<u> </u>	<u>203,987</u>
942,180		1,153,042
<u>1,080,278</u>	<u>86,338</u>	<u>1,916,886</u>
14,189	(26,784)	64,966
205,499	(2,008)	2,783,797
<u> </u>	<u> </u>	<u> </u>
<u>\$ 219,688</u>	<u>\$ (28,792)</u>	<u>\$ 2,848,763</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Traverse City Housing Commission
Traverse City, Michigan

I have audited the financial statements of the business-type activities of Traverse City Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated November 28, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Traverse City Housing Commission
Page Two

Compliance and Other Matters (continued)

compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Samy E. Auditt, CPA, PC

November 28, 2007

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Traverse City Housing Commission
Traverse City, Michigan

Compliance

I have audited the compliance of Traverse City Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Traverse City Housing Commission
Page Two

Compliance (continued)

As described in item 07-1 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibility and the rent reasonableness test that are applicable, in our opinion, for the Housing Commission, to comply with requirements applicable to the Housing Choice Voucher program.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the Housing Commission's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 07-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider item 07-1 to be a material weakness.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Traverse City Housing Commission
Page Three

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary Standish, CPA, PC

November 28, 2007

TRAVERSE CITY HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
June 30, 2007

=====

The prior audit report for the year ended June 30, 2007 contained no audit findings.

TRAVERSE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2007
=====

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of Auditor's Report issued: Unqualified

Internal control over financial reporting:

- * Material weakness(es) identified? No
- * Reportable condition(s) identified that are not considered to be a material weaknesses? None reported

Noncompliance material to financial statements noted? No

Is a "going concern" explanatory paragraph included in the audit report? No

Federal Awards:

Internal control over major programs:

- * Material weakness(es) identified? Yes
- * Reportable condition(s) that are not considered to be material weaknesses? Yes

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major programs:

CFDA Number	Federal Program	Amount Expended	Major Program	Compliance Requirement	Questioned Costs	Audit Finding
14.850a	Low Rent Public Housing	\$ 196,425	No	0	N/A	N/A
14.872	Capital Fund Program	177,218	No	0	N/A	N/A
14.871	Voucher Program	1,039,275	Yes	E,N	N/A	07-1

The threshold for distinguishing Types A and B programs was \$300,000.

The Housing Commission was determined to be a low-risk auditee.

TRAVERSE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007

=====

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-1: Year Ended June 30, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: Some tenants could be ineligible for the program.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We started with the seventh tenant file and selected every twentythird one after that until a total of eight files were selected to be tested from an Ad-hoc Tenant Report provided by the Traverse City Housing Commission. We selected eight tenant files to test from a population of 188 tenant files to select from.

Auditor's Recommendation: It is recommended that the Housing Commission obtain all of the appropriate documentation for the tenant files where possible. Properly completed 214 Declaration Forms should be obtained for all household members. Photo ID's for the adults in the household and Social Security Number documentation for all family members at least six years of age should be obtained as well. Finally, properly completed 9886 Privacy Act forms should be obtained for all of the adult tenants annually.

Auditee's Response: We have been obtaining the missing documentation at the annual recertification. Some of the missing documentation would have been obtained had a full year passed since the last audit and everyone's recertification had taken place. It should be noted that the percentage of exceptions has improved since last year.

TRAVERSE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007
=====

Finding Item 07-1 (continued):

Population and Items Tested (continued):

We found the following errors in the documentation in the tenant files:

	<u># of Exceptions</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	2
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	0
5. Incorrect Verification of Assets	0
6. Inspection Report missing for fiscal year or was incorrect	0
7. Lease missing or incorrect	1
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	2
10. Copy of Proof of Social Security Number Verification missing	5
11. Annual Review not done for fiscal year or not documented	1
12. Worksheet for HUD-50058 missing or incorrect	0
13. Notice of Rent Adjustment missing or incorrect	0
14. Criminal Background Check not done, not documented, or it was in the file	1
15. Declaration of 214 Status missing or incorrect	4
16. Lead Based Paint disclosure missing or incorrect	0
17. Check for Previous Eviction from Public Housing not done or incorrect	0
18. Request for Tenancy Approval not done or incorrect	0
19. Voucher not in file or its was incorrect	0
20. HAP Contract missing or incorrect	0
21. HAP Tenancy Addendum missing	0
22. Rent Reasonableness Test missing or incorrect	3
23. Inspection-Life Threatening Corrections made >24 hours	0
24. Inspection-Nonlife Threatening Corrections made >30 days or past extension	0
25. Proper action not taken if (24) or (25) was violated	0
26. Annual Family Composition Review missing or incorrect	0
Total	<u>19</u>

Out of a possible 208, there were 19 exceptions from this test. This represents an exception rate of 9.13%.

TRAVERSE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 June 30, 2007

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Housing Choice Voucher Program CFDA No. 14.871

Finding Item 07-1: Year Ended June 30, 2007

The following is a short summary of exceptions:

<u>File</u>	<u>Client Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	V05036						x		x	
2	V05106									
3	009116						x		x	
4	V05118					x	x		x	
5	V93319	x				x			x	
6	V93429						x		x	
7	003231								x	
8	V93329						x		x	
Number of Hits		<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>5</u>	<u>0</u>	<u>7</u>	<u>0</u>
Percentage of Hits		<u>13%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>25%</u>	<u>63%</u>	<u>0%</u>	<u>88%</u>	<u>0%</u>

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program